

NEW APPLICATION

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

ROBERT "BOB" BURNS - Chairman
BOYD DUNN
SANDRA D. KENNEDY
JUSTIN OLSON
LEA MÁRQUEZ PETERSON

In the matter of:)	DOCKET NO. S-21124A-20-0292
ALFRED BACA, an unmarried man,)	NOTICE OF OPPORTUNITY FOR HEARING REGARDING PROPOSED ORDER TO CEASE AND DESIST, ORDER FOR RESTITUTION, AND ORDER FOR ADMINISTRATIVE PENALTIES
CHRYSOLOGY CAPITAL GROUP, LLC,)	
an Arizona limited liability company,)	
Respondents.)	

NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING
EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that Respondents Alfred Baca and Chrysology Capital Group, LLC have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

The Division also alleges that Alfred Baca is a person controlling Chrysology Capital Group, LLC within the meaning of A.R.S. § 44-1999(B), so that he is jointly and severally liable under A.R.S. § 44-1999(B) to the same extent as Chrysology Capital Group, LLC for its violations of the antifraud provisions of the Securities Act.

I.
JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

II.

RESPONDENTS

2. At all relevant times, Alfred Baca ("Baca") has been a resident of the state of Arizona.

3. Chrysology Capital Group, LLC ("Chrysology") is a member-managed limited liability company organized under the laws of the state of Arizona on or around August 1, 2005.

4. At all times, Baca has been the sole member of Chrysology.

5. Neither Baca nor Chrysology have ever been licensed with the Commission in any capacity.

6. Baca and Chrysology may be referred to collectively as "Respondents."

III.

FACTS

7. In January 2018, Respondents fraudulently sold unregistered securities in the form of investment contracts on at least two occasions in exchange for at least \$42,000.

8. In January 2018, Chrysology entered into two "Corporate Guarantee Agreements" ("Agreements") with an Arizona resident and a Utah resident (collectively "Investors").

9. Neither of the Investors are accredited investors.

10. Baca executed the Agreements on behalf of Chrysology as its managing member.

11. The Agreements provide that the Investors "ha[d] undertaken to make available to Chrysology cash funds in the amount of \$21,000 (Twenty-One Thousand United States Dollars)."

12. The \$42,000 was purportedly to be used for the appraisal of diamonds that would be used to secure or facilitate a separate transaction.

13. Pursuant to the Agreements, Chrysology agreed to pay \$21,000 each to the Investors, upon request, if they had not each received a return of \$210,000 within forty-five days from the date their respective funds were transferred to Chrysology's bank account.

1 14. One of the Agreements states that "... this guarantee does not extend to any and all
2 profits to be made from the use of the \$21,000 ... and the profit disbursement is contingent upon the
3 success of an independent transaction done through [Chrysology]."

4 15. The Investors had no power or authority to control Chrysology, nor did they have any
5 participatory role in the transaction other than providing the funds to be used.

6 16. Shortly after the Agreements were executed, Respondents received two wire transfers
7 of \$21,000 each.

8 17. One of the wire transfers included funds from multiple individuals who had combined
9 their funds to invest, one of whom was the Arizona resident who signed one of the Agreements.

10 18. Both \$21,000 wire transfers were sent to a bank account in the name of Chrysology
11 Capital Group, LLC.

12 19. Baca was the sole signor on the bank account to which the two \$21,000 wire transfers
13 were sent.

14 20. Through the Agreements, Respondents falsely represented to the Investors that
15 Chrysology's execution of the Agreements would not violate "... any provisions of law, regulations
16 or any judgment ..." and that "the obligations expressed to be assumed by [Chrysology] in this
17 Agreement are legal, valid, binding, and enforceable."

18 21. None of the \$42,000 paid to Respondents was used to pay for the appraisal of
19 diamonds.

20 22. Respondents misappropriated certain funds by using the funds on Baca's personal
21 expenses, such as purchases at restaurants, pharmacies and convenience stores.

22 23. The Agreements were not registered with the Commission as securities.

23 24. None of the investors have received payments of \$210,000.

24 25. Respondents have not returned any funds to any of the investors.

IV.

VIOLATION OF A.R.S. § 44-1841

(Offer or Sale of Unregistered Securities)

26. From on or about January 13, 2018, Respondents offered or sold securities in the form of investment contracts within or from Arizona.

27. The securities referred to above were not registered pursuant to Articles 6 or 7 of the Securities Act.

28. This conduct violates A.R.S. § 44-1841.

V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

29. Respondents offered or sold securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

30. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer or Sale of Securities)

31. In connection with the offer or sale of securities within or from Arizona, Respondents directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts that were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon offerees and investors. Respondents' conduct includes, but is not limited to, the following:

a) Falsely representing that the investment proceeds would be used to pay for the appraisal of diamonds to secure a separate transaction;

b) Misappropriating certain investment proceeds by using them to pay for Baca's personal expenses; and

c) Falsely representing that the Agreements were legal and did not violate any provisions of law.

32. This conduct violates A.R.S. § 44-1991.

VII.

CONTROL PERSON LIABILITY PURSUANT TO A.R.S. § 44-1999

33. Since August 1, 2005, Baca has been and/or held himself out as the sole member and/or managing member of Chrysology, a member-managed limited liability company.

34. Since August 1, 2005, Baca directly or indirectly controlled Chrysology within the meaning of A.R.S. § 44-1999. Therefore, Baca is jointly and severally liable to the same extent as Chrysology for its violations of A.R.S. § 44-1991 since at least August 1, 2005.

VIII.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief:

1. Order Respondents to permanently cease and desist from violating the Securities Act, pursuant to A.R.S. § 44-2032;

2. Order Respondents to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032; and

3. Order Respondents to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036.

IX.

HEARING OPPORTUNITY

Each Respondent may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306.

If a Respondent requests a hearing, the requesting respondent must also answer this Notice. A

1 request for hearing must be in writing and received by the Commission within 10 business days after
2 service of this Notice of Opportunity for Hearing. The requesting Respondent must deliver or mail the
3 request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona
4 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the
5 Commission's Internet website at <http://www.azcc.gov/hearing>. Filings may be accessed at
6 <https://edocket.azcc.gov>.

7 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20
8 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or
9 ordered by the Commission. If a request for a hearing is not timely made the Commission may, without
10 a hearing, enter an order granting the relief requested by the Division in this Notice of Opportunity for
11 Hearing.

12 Persons with a disability may request a reasonable accommodation such as a sign language
13 interpreter, as well as request this document in an alternative format, by contacting Carolyn D. Buck,
14 ADA Coordinator, voice phone number (602) 542-3931, e-mail cdbuck@azcc.gov. Requests should
15 be made as early as possible to allow time to arrange the accommodation. Additional information
16 about the administrative action procedure may be found at
17 <http://www.azcc.gov/securities/enforcement/procedure>.

18 X.

19 ANSWER REQUIREMENT

20 Pursuant to A.A.C. R14-4-305, if a Respondent or a Respondent Spouse requests a hearing,
21 the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing
22 to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona
23 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be
24 obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site
25 at <http://www.azcc.gov/hearing>. Filings may be accessed at <https://edocket.azcc.gov>.


1 Additionally, the answering Respondent must serve the Answer upon the Division. Pursuant
2 to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a
3 copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007,
4 addressed to Chris Nichols.

5 The Answer shall contain an admission or denial of each allegation in this Notice and the
6 original signature of the answering respondent or respondent's attorney. A statement of a lack of
7 sufficient knowledge or information shall be considered a denial of an allegation. An allegation not
8 denied shall be considered admitted.

9 When the answering Respondent intends in good faith to deny only a part or a qualification
10 of an allegation, the respondent shall specify that part or qualification of the allegation and shall
11 admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

12 The officer presiding over the hearing may grant relief from the requirement to file an Answer
13 for good cause shown.

14 Dated this 30th day of September, 2020.



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17 Mark Dinell
18 Director of Securities
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